

Council on Postsecondary Education
January 30, 2006

Fiscal Year 2004-05 Agency Audit

ACTION: The staff recommends that the Council accept the 2004-05 agency audit as submitted by the firm of Moore Stephens Potter LLP.

The Council continued its contract with the firm of Moore Stephens Potter LLP to perform a financial and management audit of the Council's activities during fiscal year 2004-05. The Council received an unqualified opinion.

The audit was conducted in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The Executive Committee received a draft of the Financial Statements and Independent Auditor's Report and reviewed these documents with representatives of Moore Stephens Potter LLP and the Council staff via a September 30 conference call.

The audit report contains no reportable conditions or material weakness related to internal control over financial reporting or major federal programs.

The audit report notes one instance of material noncompliance related to financial statements. This involves an overpayment on the Memorandum of Agreement between the University of Kentucky and the Council for the Kentucky Postsecondary Education Network (KPEN) program. The Council staff has taken corrective action and a refund has been received.

The audit report disclosed one finding related to major federal programs. This involved the failure of local Kentucky Adult Education sub-grantees to submit copies of their fiscal year audits to Council staff in accordance with federal regulations and their contract. The Council staff has taken appropriate corrective action.

The Council staff has acted upon Moore Stephens Potter LLP and the Executive Committee's suggestions involving monitoring of funds. A separate agenda item, "Accountability and Assessment of Council Funded Initiatives," will be presented at the March 2006 meeting.